

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6185**

**BILL NUMBER:** SB 109

**DATE PREPARED:** Nov 4, 2000

**BILL AMENDED:**

**SUBJECT:** Disability benefits for public safety officers.

**FISCAL ANALYST:** James Sperlik

**PHONE NUMBER:** 232-9866

**FUNDS AFFECTED:**      **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that a member of the 1925 Police Pension Fund, 1937 Firefighters' Pension Fund, 1953 Police Pension Fund, and 1977 Police Officers' and Firefighters' Pension Fund who develops cancer or a heart condition that is related to the police officer's or firefighter's duties is entitled to 75% of the salary of a first class patrolman or firefighter. It provides that the death of a police officer or firefighter from cancer or a heart condition related to the police officer's or firefighter's duties is a death in the line of duty.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** It is unknown how many disabilities are the result of heart disease or a diagnosis of cancer. For illustration purposes, it has been assumed that 50% of the disabilities are due to heart disease or diagnosis of cancer. Below is a table which shows the estimated fiscal impact of this proposal for all cities and towns with members in the affected pension plans based on the assumption above.

	<b><u>1925, 1937 and 1953 Funds</u></b>	<b><u>Converted 1977 Plan</u></b>	<b><u>Non-Converted 1977 Plan</u></b>
Increase in Actuarial Liabilities	\$1,179,588	\$866,100	\$9,479,400
Increase in Annual Funding	(see below)	(see below)	21% would increase to 22.1%

Since the benefits for the 1925, 1937, and 1953 Fund (Old Plan members) and Converted members are

funded on a pay-as-you-go basis, the following illustrates the estimated increase in benefit payouts by cities and towns over the next five years:

<u>Calendar Year</u>	<u>Increase in Expected Benefit Payouts</u>
2001	\$225,263
2002	269,603
2003	321,100
2004	385,320
2005	<u>462,262</u>
Total	\$1,663,548

The funds affected are Police and Fire Pension Funds. The principal revenue sources for these funds are the following: 1) Cigarette taxes; 2) Liquor gallonage taxes; and 3) Auto and aircraft excise taxes.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Those cities and towns with members in the affected pension plans.

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for the Police and Fire Funds, 576-1508.

**Old Plan:** Members hired before May 1, 1977 who have not elected to convert to the benefit structure under the 1977 Act.

**Converted:** Members hired before May 1, 1977, who have elected to convert to the benefit structure under the 1977 Act.

**Non-Converted 1977 Plan:** Members hired after April, 30, 1977, all of whom are covered by the benefit structure under the 1977 Act.

**Actuarial Liability** The excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

**Pay-as you-go** A method of payment that recognizes the costs of the retirement system only as benefits are paid.